



California Public Utilities Commission

# **Annual Report of Telephone Corporations Customer, Employment and Investment Information As Required by Public Utilities Code Section 914**

## **COMMUNICATIONS DIVISION REPORT TO LEGISLATURE**

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# CALIFORNIA PUBLIC UTILITIES COMMISSION

## COMMUNICATIONS DIVISION

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## I. Executive Summary

### Background

Public Utilities (P.U.) Code section 914 requires that the California Public Utilities Commission (Commission or CPUC) report, on an annual basis, the information provided by public utilities under P.U. Code 7912 to the Assembly Committee on Utilities and Commerce and the Senate Committee on Energy, Utilities and Communications. P.U. Code 7912 requires telephone corporations employing more than 750 employees to annually report to the Commission specified information relating to customers, employment, and capital investment

The information contained within this report covers the years 2015 and 2016 for both wireline and wireless companies with more than 750 employees. The reporting wireline companies include: AT&T California, Verizon California, Frontier California, and Sprint. The reporting wireless companies include: AT&T Mobility, Verizon Wireless, Sprint, and T-Mobile.

The data from the above carriers could not be reported individually as all reporting utilities requested confidential treatment under P.U. Code section 583 and General Order 66-C as the information is considered to be proprietary, sensitive, and would place the utility at a competitive disadvantage. Thus, Commission staff aggregated the data from these sources to protect the claimed confidential information. If the Committee determines that this aggregated information is insufficient for its purposes, Commission staff will pursue a formal release of the unredacted data by vote of the Commission.

### Key Findings

**Wireline Companies: AT&T California, Verizon California, Frontier California, Sprint**

Table 1. Aggregated Results from all Reporting Wireline Companies

	Total Customer Base	Total California Residents Employees	Total Capital Investments
<b>2014</b>	4,544,122	23,015	\$1.3 billion
<b>2015</b>	4,051,149	21,329	\$1.0 billion
<b>2016</b>	3,409,118	19,409	\$3.1 billion
<b>2014-2016 Delta</b>	-1,135,004 (-25%)	-3,606 (16%)	\$1.7 billion (130%)

The data shows that total number of wireline customers for the companies subject to the statute was 4.5 million in 2014, and 3.4 million in 2016. This is a decline of 25% from the 2014 level. The total number of Californian residents employed by wireline companies was 23,015 in 2014 and 19,409 in 2016. This is a decline of 3,606 employees or 16% from the 2014 level. This decline coincides with the decline in the customer base.

The total capital investment by wireline companies was \$1.3 billion in 2014 and \$3.1 billion in 2016. Capital investment increased by 130% from 2014 to 2016, with one company accounting for most of the increase.

***Wireless Companies: AT&T Mobility, Verizon Wireless, Sprint, T-Mobile***

Table 2. Aggregated Results from all Reporting Wireless Companies

	Total Customer Base	Total California Residents Employees	Total Capital Investments
<b>2014</b>	37,760,297	23,019	\$5.3 billion
<b>2015</b>	36,829,696	21,548	\$3.1 billion
<b>2016</b>	37,168,081	20,103	\$2.9 billion
<b>2014-2016 Delta</b>	-592,216 (-1.6%)	-2,916 (-13%)	\$-2.4 billion (-45%)

The data shows that the total number of wireless customers for the companies was 37.2 million in 2016. The range of customers for these companies was between 5.8 to 13.2 million in 2016.

The total number of California residents employed by the reporting wireless companies was 23,019 in 2014; 21,548 in 2015; and 20,103 in 2016. This is a 7% decrease compared to both the 2014-2015 and the 2015-2016 count.

Roughly 10% of the wireless companies' workforce resides in California, ranging from 8 to 11% in 2015 and 2016 for the four reporting companies.

The total capital investment by wireless companies declined from 2014 through 2016. Total capital investment was the \$5.3 billion in 2014. and \$3.1 billion in 2015. This is a decline of \$2.2 billion or 42% from the 2014 level. Total capital investment in California decreased again in 2016, from \$3.1 billion to \$2.9 billion, a decline of 6%. Capital investment in 2016 ranged from a low of \$148 million to a high of \$1.1 billion.

## **II. Reporting Requirements Under P.U. Code Section 7912**

Section 7912 falls within Division 4 of the P.U. Code, (Laws Relating to Utility Corporations and Their Employees), Chapter 3 (Telegraph and Telephone Corporations), enacted by Statutes 1951, Ch.764. Thus, section 7912 specifically relates to Telegraph or Telephone Corporations.

P.U. Code 7912 requires telephone corporations employing more than 750 employees to annually report to the Commission specified information relating to customers, employment, and capital investment. P.U. Code 914 requires that the Commission report the information provided by public utilities under P.U. Code 7912 to the Assembly Committee on Utilities and Commerce and the Senate Committee on Energy, Utilities and Communications.

The data required to be reported to the Commission are:

1. The number of customers served in California by the public utility
2. The percentage of the public utility's total domestic customer base that resides in California
3. The number of California residents employed by the public utility, calculated on a full-time or full time equivalent basis
4. The percentage of the public utility's total domestic workforce, calculated on a full-time or full time equivalent basis, that resides in California
5. The capital investment in the public utility's tangible and intangible plant which ordinarily have service life of more than one year, including plant used by the company or others in providing public utility services, in California during the yearly reporting period, and
6. The number of California residents employed by independent contractors and consultants hired by the public utility, calculated on a full-time or full time equivalent basis.

The following seven telephone companies had more than 750 full-time employees in California and were therefore required to report employment data for 2015 and 2016:

- AT&T California
- AT&T Mobility
- Frontier California
- Sprint
- T-Mobile
- Verizon California
- Verizon Wireless

## I. Customers in California

Table 3. Aggregated Data for California Customers of Reporting Companies

	Wireline	Wireless
<b>2014</b>	4,544,122	37,760,297
<b>2015</b>	4,051,149	36,829,696
<b>2016</b>	3,409,118	37,168,081
<b>2014-2016 Delta</b>	-1,135,004 (-25%)	-592,216 (-1.5%)

Wireline companies: The data shows that the wireline companies with more than 750 employees reported declining customer bases of 25% on average between 2014 and 2016. In 2014 the total number of wireline customers was 4,544,122 and for 2016 this number declined to 3,409,118.

Wireless companies: The data shows that the total number of wireless customers from the four companies with over 750 employees was 37.8 million in 2014, 36.8 million in 2015, and 37.2 million in 2016. This reflects a customer base that is holding steady, showing only an overall decline of 1.5% during the period 2014 through 2016.

Customer Comparison in California: In 2016, wireless telephone companies had ten times more customers than wireline telephone companies. This gap has increased from the 2014 levels, in which the wireless companies had seven more customers.

Except for one reporting company, the other wireline companies reported that almost 100% of their customer base was California residents.

In comparison, wireless companies' operate on a national scale and reported that their California customer base represented an average of 13% of their total domestic customer base in 2015 and 2016.

## II. Employees in California

Table 4. Aggregated Data for California Employees of Reporting Companies

	Wireline CA Employees	% of Workforce in CA	Wireless CA Employees	% of Workforce in CA
<b>2014</b>	23,015	100%	23,019	10%
<b>2015</b>	21,329	100%	21,548	10%
<b>2016</b>	19,409	100%	20,103	10%
<b>2014-2016 Delta</b>	-3,606 (-16%)	0%	-2,916 (-13%)	0%

P.U. Code 7912 requires telephone and telegraph companies with over 750 total employees to report on the number of California residents they employ as well as the percentage of the utility's total domestic workforce.

Table 4 shows the total number of employees in California for the years 2014 through 2016. It also shows the percentage of California residents making up the workforce of the reporting companies.

Both the number of workers and the percentage of the workforce are calculated on a full-time equivalent basis.

Wireline companies: The total number of Californians employed by wireline companies in 2014 was 23,015. In 2016 it was 19,409, a decline of 3,606 employees. This decrease roughly corresponds with the shrinking number of the customer base. Wireline companies typically employ 100% of its workforce from California<sup>1</sup>

Wireless companies: The total number of California residents employed by the reporting wireless companies was 23,019 in 2014 and 21,548 in 2015. In 2016 the number declined to 20,103, a drop of 2,916 employees from 2014. The percentage of the total workforce that resides in California has held steady at approximately 10% since 2014. The percentage of the total workforce of the individual companies that resides in California ranged between 8.2 and 11.5%.

<sup>1</sup> Reported as Full -Time Equivalent (FTE). One carrier was not able to disaggregate its wireline and wireless work force. Since the majority of that carrier's business is wireless the employee number was reflected in the wireless data. The percentage impact was determined to be immaterial.

### III. Capital Investments in California

Table 5. Aggregated Data for Capital Investments in California by Reporting Companies

	Wireline	Wireless
<b>2014</b>	\$1.3 billion	\$5.3 billion
<b>2015</b>	\$1 billion	\$3.1 billion
<b>2016</b>	\$3.1 billion	\$2.9 billion
<b>2014-2016 Delta</b>	\$1.7 billion (129%)	\$-2.4 billion (-45%)

P.U. Code 7912 requires that companies over 750 total employees report on their capital investments in California. The code defines capital investment the following way: “the capital investment in the public utility’s tangible and intangible plant which ordinarily have a service life of more than one year, including plant used by the company or others in providing public utility services, in California during the yearly period.”

Wireline companies: The total capital investment by wireline companies was \$1.3 billion in 2014, and \$3.1 billion in 2016. This was an increase of 129% from 2014 levels, with one company accounting for most of the increase, primarily due to an acquisition transaction.

Wireless companies: The total capital investment by wireless companies was \$5.3 billion in 2014, and \$2.9 billion in 2016. This was a decline of 45% from 2014 levels..

### IV. Number of California Residents Employed by Independent Contractors

Only one of the seven companies reported that it tracks the number of California residents employed by independent contractors who directly provide services to the franchise holder. Therefore, we cannot provide a complete profile of the total number of California residents employed by independent contractors. The one company that did track the data indicated that it does not have any contractors who were California residents working in wireline operations and that it had roughly 850 contractors who were California residents working in its wireless operations.



## **Appendix A: P.U. Code section 914 and P.U. Code section 7912**

### **PUBLIC UTILITIES CODE**

#### **DIVISION 1. REGULATION OF PUBLIC UTILITIES [201 - 3260]**

*( Division 1 enacted by Stats. 1951, Ch. 764. )*

#### **CHAPTER 4. Regulation of Public Utilities [701 - 920]**

*( Chapter 4 enacted by Stats. 1951, Ch. 764. )*

#### 914.

The commission shall annually report the information required to be reported by public utilities pursuant to Section 7912, to the Assembly Committee on Utilities and Commerce and the Senate Committee on Energy, Utilities and Communications, or their successor committees, and within a reasonable time thereafter, shall make the information available to the public on its Internet Web site. *(Added by Stats. 2015, Ch. 612, Sec. 41. (SB 697) Effective January 1, 2016.)*

#### **DIVISION 4. LAWS RELATING TO UTILITY CORPORATIONS AND THEIR EMPLOYEES [7503 - 8286]**

*( Division 4 enacted by Stats. 1951, Ch. 764. )*

#### **CHAPTER 3. Telegraph or Telephone Corporations [7901 - 7912]**

*( Chapter 3 enacted by Stats. 1951, Ch. 764. )*

#### 7912.

A public utility employing more than 750 total employees shall annually report to the commission all of the following:

- (a) The number of customers served in California by the public utility.
- (b) The percentage of the public utility's total domestic customer base that resides in California.
- (c) The number of California residents employed by the public utility, calculated on a full-time or full-time equivalent basis.
- (d) The percentage of the public utility's total domestic workforce, calculated on a full-time or full-time equivalent basis, that resides in California.
- (e) The capital investment in the public utility's tangible and intangible plant which ordinarily have a service life of more than one year, including plant used by the company or others in providing public utility services, in California during the yearly reporting period.
- (f) The number of California residents employed by independent contractors and consultants hired by the public utility, calculated on a full-time or full-time equivalent basis, when the public utility has obtained this information upon requesting it from the independent contractor or consultant, and the public utility is not contractually prohibited from disclosing the information to the public. This subdivision is inapplicable to contractors and consultants that are a public utility subject to the reporting requirements of this section. This paragraph applies only to those employees of an independent contractor or consultant that are personally providing services to the public utility, and does not apply to employees of an independent contractor or consultant not personally performing services for the public utility.

*(Amended by Stats. 2015, Ch. 612, Sec. 69. (SB 697) Effective January 1, 2016.)*